

# Millennium Challenge Albania MONITOR



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The two-year \$13.85 million Millennium Challenge Albania Threshold Agreement between the Government of Albania (GoA) and Millennium Challenge Corporation (MCC, [www.mcc.gov](http://www.mcc.gov)), administered by USAID, assists the GoA to reform and modernize tax administration, public procurement, and business registration, through IT solutions and legislative enhancements.

## LEGISLATIVE DEVELOPMENTS

### Towards a complete legal framework for tax administration

A key undertaking of the Millennium Challenge Albania project has been the development of a new legal framework that achieves transparency and efficiency in the tax administration in Albania, substantially reduces opportunities for corruption, and helps shrink the informal economy. With the successful completion of the work on the new tax procedures law, the project in close cooperation with the Ministry of Finance and the General Directorate of Taxation (GDT) has been hard at work to draft the secondary legislation acts. This includes the preparation of the General Instructions and other acts as stipulated in the new law. Meanwhile, work is underway to implement the new GDT functional reorganization approved by the Prime Minister on August 5, 2008.

## INSTITUTIONAL CAPACITY BUILDING

### Developing capacity for reform

During July and August, the project, together with GDT, organized four training-of-trainers seminars for tax officials from GDT headquarters and 13 regional offices. The seminars focused on key functions of the tax administration, including tax collection, appeals, audit, and taxpayer services, as transformed and modernized by the new tax procedures law. The 71 participants, 26 of whom were women, received training led by well-known international and local tax experts. These officials are now providing training to several hundred tax department employees, using training materials that the project provided to them on CD, and including presentations, case studies, exercises and instructor notes. In July the project also worked with GDT training managers to provide orientation training on the tax procedure law to approximately 1,000 tax department employees.

### You can do it on your own!

A Tutorial CD produced by the project takes you through the different steps of how to access the Electronic Procurement System, prepare a tender notice, submit bids online, open and evaluate them, publish the tender awards and archive them. One thousand copies of the tutorial have already been distributed among all central government ministries and institutions, as well as Tirana and Durrës municipalities. An additional 1000 copies have been made available to businesses through the chambers of commerce, professional and investors associations, as well as Albinvest.

### Dear Readers,

We've come a long way from April 2006, when Albania and the United States pledged to work together to reform three corrupted areas of public administration.

In two years, U.S.-Albanian cooperation under this program, succeeded in replacing a clumsy business registration process that required 42 days with a simplified procedure done in a single day at one of the National Registration Center's locations. Today, more than 18,000 new businesses have been registered this way, leaving few opportunities for bribery.

This cooperation also helped the tax administration to install an "e-filing" system severing the exploitative personal relationship between officials and taxpayers. In the last two months, on average, more than 61,000 tax forms were downloaded per month, and more than 2,100 monthly declarations were e-filed. The reforms have also set the stage for a modern tax administration oriented to greater efficiency and service.

Thanks to this cooperation, public procurement is easier, faster and less prone to corruption. An Electronic Procurement System became standard Government procedure in March 2008 and has generated more than 40 competitive awards worth more than \$20 million, 6% of total procurement value. Also a Procurement Advocate now oversees the procurement process and handles bidder complaints.

A cord tying these reforms together is e-governance. A new institution equipped and trained by our project, the National Agency for Information Society, will host the e-governance systems and ensure they are secure, maintained and upgraded.

U.S.-Albania cooperation under this project has achieved amazing things at warp speed. That attests to Albania's determination to lay a foundation for more accountable governance. It also speaks volumes about the dedication and professionalism of our able, talented MCATA staff. USAID is proud of their accomplishments. I thank them and our Albanian Government counterparts for a job well done. In the remaining months, USAID will ensure these reforms are sustained and prepare for Stage II, which should be every bit as successful.

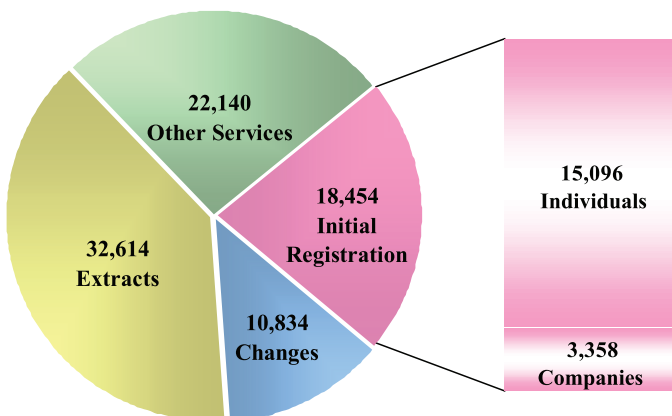
Sincerely,  
Bruce Kay, USAID



Tax officials participate in training on the new audit procedures.

## Expanding at a growing rate

The opening of the National Registration Center (NRC) on September 3, 2007, has truly made a difference in making it easier for businesses to register in Albania. For the months of July and August, the number of new registrations at NRC service windows, now present in 11 municipalities and at the Chamber of Commerce and Industry of Tirana, in addition to the headquarters, continues to exceed that in either 2006 or 2007. During its first year in operation 18,454 new businesses have registered at NRC. This represents a nearly two-fold increase compared to the previous 12 months. The overall number of applications processed at NRC between September 3, 2007 and August 31, 2008 was 84,042.



National Registration Center: One year of service to businesses, September 2007 – August 2008.

## E-GOVERNMENT

### Making it easier to e-file

With the addition of step-by-step instructions online, and the new feature of e-mail confirmations of submitted returns, the e-filing system is now even more user-friendly. The number of e-filers shows significant monthly increases, up 26% in July, and a further 16% in August, with almost no attrition. Durrës VAT taxpayers are now the latest adopters of e-filing, with 100 electronic declarations since its expansion there in July. In August e-filed returns accounted for over 28% of overall business tax revenue in Albania. Downloading of the tax forms has also increased month by month, with a 110% spike during July, as the small taxpayers also prepared to file their quarterly taxes.

### Contracting authorities embrace the e-procurement system

By August 31, 2008, the number of contacting authorities using the e-procurement system reached 17. During the period July 1 - August 31, 2008, awards made through electronic procurement procedures represented approximately 3 percent of all procurement awards, and more than 17 percent on a value basis, which puts the annual targets set by the Threshold Agreement Plan (2.5% and 7.5% respectively) within reach.

For questions about the project or to subscribe to this newsletter, call us or write to:

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PROJECT DURATION: September 2006 - November 2008

## PUBLIC OUTREACH

### Know your rights and responsibilities

In July, the project supported GDT in launching a fully fledged country-wide Taxpayers Education Campaign with a TV spot, posters and a taxpayer rights brochure. The campaign informed taxpayers about the fundamental reforms that have taken place in tax administration and encouraged them to comply with the new tax procedures law that entered in effect on June 25.



Taxpayer Education campaign poster.

### Your opinion counts

E-filers were asked during July to participate in an online survey about their usage of the GDT website and the e-filing system. The tabulated responses show that taxpayers refer frequently to the GDT website (with 41.9% paying five or more visits in a month), as the primary source of information for tax procedures and to access tax e-services. A second session of the online survey is scheduled to commence in September.

### NRC website attracts visitors from all over the world

During July and August the NRC website received 207 visits per day from 173 cities in 41 countries in 4 continents: Europe, Asia, North America and Africa. From 12,819 visitors, 24% were new, whereas among the returning users, over 50% had consulted the website more than nine times, with no less than an average of four pages viewed per visit. The most visited pages included the commercial registry and the bulletin of daily registrations.

## UPCOMING EVENTS

- The GDT re-organization package will be implemented during September and October
- Country-wide training for GDT officials on the new tax procedures law, audit, collection, and appeals will continue.
- Businesses and accountants in the regions where tax offices are connected with GDT will be trained on e-filing.
- The Taxpayers Education Campaign will continue during September 2008.

"This project has really worked with us, treating us as real partners, supporting and directly working with us...You have indeed been my best collaborators in designing and implementing tax reform and I hope and believe that this cooperation will continue and be further strengthened in the future." GDT Director, Mr. Arben Sefgjini, during August 13, 2008 Tax Oversight Committee meeting.